

UAC INSURANCE MUTUAL

Board of Directors Meeting

Friday, June 28, 1996, 8:00 a.m.
Sevier County Commission Chambers
250 North Main, Richfield, UT

A G E N D A

8:00 Call to Order

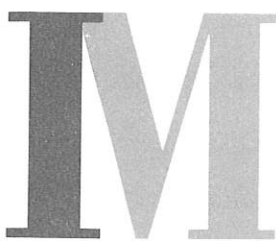
Broker Proposals

Set Date and Time for Closed Meeting
to Discuss the Character, Professional Competence, or Physical or Mental Health of an Individual

Set Date and Time for Closed Meeting
to Discuss Pending or Reasonably Imminent Litigation

9:45 Adjourn

4021 South 700 East, Suite 180
Salt Lake City, Utah 84107



UTAH ASSOCIATION
OF COUNTIES
INSURANCE MUTUAL

UAC INSURANCE MUTUAL MINUTES, BOARD OF DIRECTORS MEETING

June 28, 1996, 8:00 a.m.
Sevier County Commission Chambers
250 North Main, Richfield, UT

Board Members Present:

Gary Herbert, *President*, Utah County Commissioner
Gerald Hess, *Vice President*, Davis County Deputy Attorney
Sid Groll, *Comptroller*, Cache County Sheriff
Ken Brown, Rich County Commissioner
Curtis Dastrup, Duchesne County Commissioner
Ty Lewis, San Juan County Commissioner
Sarah Ann Skanchy, Cache County Council Member
Gary Sullivan, Beaver County Commissioner

Board Members Absent:

Robert Gardner, *Secretary*, Iron County Commissioner

Others Present:

Kent Sundberg, Utah County Deputy Attorney
Brent Gardner, UACIM Administrator
Brett Rich, Director, UACIM
Sonya White, UACIM Administrative Assistant

CALL TO ORDER

Gary Herbert called the meeting to order and welcomed those in attendance.

BROKER PROPOSALS

As requested by the Board of Directors on June 14, 1996, Brett Rich prepared budget comparisons using the Aon Risk Resources proposal(s) and the Arthur J. Gallagher proposal. These comparisons were faxed to the Board Members prior to this meeting. As the Board reviewed the comparisons, Brett explained that he replaced the pertinent figures on the 1996 UACIM budget for comparison purposes only. No figures were changed in the revenues, the proposed attachment points were reflected under IBNR losses (paid losses, open loss reserves and IBNR losses equal the attachment point), the claims management expense, excess insurance and brokerage commission figures were all replaced with those amounts proposed. AON initially proposed an attachment point of \$1,825,000, claims management of \$195,000, excess insurance of \$439,750 and brokerage commission of \$125,000 which calculates to (\$90,750) total net income and surplus. AON also proposed an attachment point buy-down option of \$1,690,000, claims management of \$195,000, excess insurance of \$499,755 and brokerage commission of \$125,000 which calculates to (\$15,755) total net income and surplus. Gallagher proposed an attachment point of \$1,475,000, claims management of \$238,960, excess insurance of \$458,635 and brokerage commission of \$115,000 which calculates to \$206,405 total net income and surplus. Gallagher proposed several different options for claims management and brokerage of which Brett used the exalted numbers for this comparison. Both companies, AON and Gallagher, have a 2 1/2 year attachment point guarantee.

Brett stated that it is critical, in his opinion, to have the net income and surplus of the UACIM in the black. A negative net income and surplus will not be acceptable to our members and the Insurance Department, especially when UACIM has requested an exemption from the surplus requirements. Statutorily, UACIM is required, for the lines of coverage written, to have \$1.7 million of permanent surplus and, as of the last legislative session, an undetermined amount of risk based capital. The Commissioner can grant an exemption to that requirement. Therefore, on behalf of UACIM, Brett has requested an exemption based on maintaining a fully funded program.

4021 SOUTH 7
SUITE 180
MURRAY
UTAH 84107
801-265-1331

FAX 801-265-9485

Regarding the \$1,475,000 attachment point, Brett explained that UACIM has gone over that amount in 1993 and 1994, and three actuarial firms (AON, Coopers & Lybrand, and Coregis) estimate UACIM's ultimate net loss for this year to be approximately \$1.9 million. UACIM has a SIR (self insured retention) of \$150,000 for property and \$250,000 for liability. A portion of the annual premium contributions (the loss fund) is used to pay claims or SIR's. UACIM also has a stop-loss policy that will pay an additional million dollars of loss once the \$2.350 million attachment point is reached. This attachment point leaves a huge gap between the UACIM loss fund. AON and Gallagher have both proposed an excess aggregate carrier that will pay an unlimited amount of loss but the main issue being when the aggregate kicks-in. The lower the attachment point the better. If UACIM's losses are higher than the attachment point, it doesn't matter what company is retained as the excess, the attachment point is going to increase. With the 2 ½ year attachment point guarantee, UACIM can possibly begin to increase their net income and surplus. Coregis (AON) has guaranteed a \$1,690,000 attachment point for 2 ½ years and Great American (Gallagher) has guaranteed a \$1,475,000 attachment point for a 70% or less loss ratio, \$1,650,000 attachment point for a 71-115% loss ratio and \$1,750,000 for a loss ratio over 115%.

Sarah Ann Skanchy expressed her concerns with premium increases. She is also concerned about the uncertainty of service with Gallagher. Sarah Ann feels the service and information begin provided through AON is much better than proposed by Gallagher.

Ty Lewis reminded the Board Members that as a Board Member it is your duty to retain the best insurance for the UACIM members. The Board needs to determine the future of UACIM. We determine what excess carrier we want to cover "our" company but the biggest concern is UACIM's losses. Ty feels that an insurance broker is not going to put the emphasis on losses like the Board and the Members should. UACIM should have reliable, well trained people employed to do the job that needs to be done to control losses. Management of "things" could be taken in-house. Decide on a broker then, as the insurance company, deal with these main issues. Gallagher is offering an option for limited outside claims service which would allow UACIM to accept some of the responsibility. UACIM has an excellent Director and with the right people to assist him, this insurance company will work.

Gary Herbert stated that the biggest concern of the Board should be to provide the best insurance program to the members which "best" doesn't necessarily mean the cheapest. His main concerns are the long term effects on UACIM, if any, and services provided by the broker.

Kent Sundberg was concerned with the high excess premium UACIM has paid for the last two years to a company, AIG, that has been difficult to work with and who has set an attachment point that UACIM will never reach. Kent would expect a brokerage firm to find the best program available.

Gary Sullivan stated, in his opinion, if UACIM doesn't get a handle on losses a low attachment point will not matter whether UACIM is solvent or not.

Brett Rich explained that he feels UACIM can get an exemption from the Insurance Department with either program. With AON's buy-down option, UACIM can most likely make up the \$15,000 deficit with the interest revenue earned in 1996. In a meeting at the Insurance Department on June 26, Brett described the attachment point concerns—actuarial projections compared to a low attachment point proposal—with Department representatives and asked if this would be a concern to them. They (C.K. Anderson, Doug Green and two others) said that this is not a concern to the Department if UACIM has a guarantee and the carrier is reputable.

Sid Groll voiced his concerns that if UACIM saves approximately \$300,000 and goes through the gymnastics of changing brokers, who is to say that UACIM won't be back in the position it is in now as well as trying to make up for the change challenge. He is also concerned with claims management in this transition.

Gerald Hess expressed his concerns regarding UACIM's continuing problems with AIG and the position UACIM is in now because of these problems. Also, concerns have been raised by the County's Risk Management Committee regarding the current claims administration and loss prevention department. If UACIM has an opportunity to contract an attachment point of \$1.475 million with a strong and capable company and UACIM reaches that attachment point, Gerald feels that it wouldn't matter which brokerage firm is retained—UACIM will appear to be a "bad risk". In his opinion, the key to the success of UACIM is to gain control of losses. Gerald was uncertain with the aspect of service if a transition were to take place and felt strongly of UACIM becoming more independent rather than relying on some other agency for claims, loss control, etc.

The Board questioned whether or not a decision had to be made today, or if a new program could be in place by January 1. Brett Rich explained that when the Coregis program was first presented to the Board at their March 21 meeting, Jess Hurtado felt the program should be implemented by July 1 in order to end the relationship with AIG and to present the program to the Insurance Department. This is the direction the Board was leaning but felt that the RFP process needed to be completed before actually approving the Coregis program. This potential program was presented to the Insurance Department on March 29 and a scheduled July 1 implementation date was noted. When Brett met with the Insurance

Department on June 26, he asked if a January 1 implementation date for a new program would cause the Department any concern? Their reply was that, as a staff, they would recommend to the Commissioner that it is more prudent for UACIM to decide on a brokerage firm based on their merits rather than making a hasty decision to implement on July 1. If that is the case, Brett will need to prepare an addendum to the request for exemption. UACIM has a contract with AON renewable calendar year to calendar year and can implement the Coregis program once the Board makes a decision. Gallaghers can also have their excess program in place any time the Board requests. Jess has a hold on the new "TopCat" claims information system, which will be replacing the LINX system, until a decision is made by the Board. The Board discussed the option of buying an in-house claims information system. Brett recommended that the Board may want to make a decision today, or in the near future, due to the amount of time this is occupying for the brokerage firms, the insurance department and himself. A meeting has been scheduled with Davis County on July 22 to make a program presentation and Brett needs to know the Board's intentions.

Ken Brown discussed the RFP process being healthy for UACIM and the purpose of implementing and organizing the UACIM was to provide better service and information for less or equal money. He is also very concerned with the high number of claims and working to control them. He feels the attachment point proposed by Gallaghers is a gamble and that service and transition will be a problem if Gallaghers is retained. Ken feels that AON should be retained and the UACIM Board should begin a refining process to bring more services in-house.

The Board extensively discussed the short and long term effects of each proposal and each company. The only disadvantage that the Board could see was that if UACIM reaches the attachment point, there are only so many companies that are willing to write stop-loss aggregate insurance. The Board members agreed that change is always difficult but with the confidence, knowledge and experience the Board has gained in the last four years, they feel UACIM is up to the challenge.

It was brought to the Board's attention that Gallagher may not be licensed in Utah. Brett explained that he received a telephone call to this effect and immediately called Gallaghers who confirmed that their Utah license expired in April 1996 because they no longer had any business in Utah. Once they received our request for proposal they filed for reinstatement and are now waiting to hear from the Insurance Department. Brett also called the Insurance Department who was unable to give him a status of the reinstatement but stated that if Gallaghers has filed for reinstatement it isn't UACIM's problem. If Gallaghers is not licensed in Utah, UACIM is prohibited from contracting with them.

After extensive discussion, Ken Brown made a motion to retain AON as the UACIM broker. Sarah Ann Skanchy seconded the motion and the motion failed 2-4-1. Voting was as follows: Ken Brown and Sarah Ann Skanchy in favor, Curtis Dastrup, Gerald Hess, Ty Lewis and Gary Sullivan oppose and Sid Groll abstained. Gary Herbert did not vote due to a concern that the Chairman only votes in the event of a tie.

Sid Groll made a motion to postpone a decision until licensing questions are confirmed by the Insurance Department. Immediately following confirmation a special meeting will be scheduled to make the final decision. Gary Sullivan seconded the motion. Ty made a substitute motion to retain Gallaghers as the brokerage firm for UACIM subject to the reinstatement of their Utah license and that program options will be negotiated. Also, any public announcement will be that a decision is pending. Curtis Dastrup seconded the motion and the motion passed 4-3. Voting was as follows: Curtis Dastrup, Gerald Hess, Ty Lewis and Gary Sullivan in favor, Ken Brown, Sid Groll and Sarah Ann Skanchy oppose. Gary Herbert did not vote due to a concern that the Chairman only votes in the event of a tie.

SET DATE AND TIME FOR CLOSED MEETING TO DISCUSS

THE CHARACTER, PROFESSIONAL COMPETENCE, OR PHYSICAL OR MENTAL HEALTH OF AN INDIVIDUAL

This agenda item will be listed each month in the event the Board needs to go into a closed session. The Board did not elect to go into a closed session during this meeting.

SET DATE AND TIME FOR CLOSED MEETING TO DISCUSS PENDING OR REASONABLY IMMINENT LITIGATION

This agenda item will be listed each month in the event the Board needs to go into a closed session. The Board did not elect to go into a closed session during this meeting.

OTHER BUSINESS

The next meeting of the Board of Directors will be held August 1, 1996, at 10:00 in the UAC offices.

1997 BUDGET (AON)
Attachment Point: \$1,825,000

REVENUE

| | |
|-------------------------|-----------|
| Premiums written | 2,277,000 |
| Unearned premiums | 0 |
| Premiums earned | 2,277,000 |
| Investment Income | 119,000 |
| TOTAL REVENUE | 2,396,000 |

LOSSES AND LOSS EXPENSES

| | |
|----------------------------------|-----------|
| Paid losses | 332,000 |
| Open loss reserves | 656,000 |
| IBNR | 837,000 |
| Claims management expenses | 195,000 |
| Excess Insurance | 439,750 |
| TOTAL LOSS EXPENSES | 2,459,750 |

ADMINISTRATION EXPENSES

| | |
|--------------------------------|---------|
| Brokerage commissions | 125,000 |
| Cancellation expense | 0 |
| Pool administration | 260,000 |
| Amortized start-up costs | 7,000 |
| Professional fees | 40,000 |
| Interest expense | 55,000 |
| Other expenses | 16,000 |
| TOTAL ADMINISTRATION | 503,000 |

| | |
|---------------------------------|-----------|
| TOTAL LOSSES AND EXPENSES | 2,962,750 |
|---------------------------------|-----------|

| | |
|------------------|-----------|
| NET INCOME | - 566,750 |
|------------------|-----------|

| | |
|-----------------------------|---------|
| SURPLUS CONTRIBUTIONS | 476,000 |
|-----------------------------|---------|

| | |
|--------------------------------|----------|
| TOTAL INCOME AND SURPLUS | - 90,750 |
|--------------------------------|----------|

1997 BUDGET (AON with buydown)
Attachment Point: \$1,690,000

REVENUE

| | |
|-------------------------|-----------|
| Premiums written | 2,277,000 |
| Unearned premiums | 0 |
| Premiums earned | 2,277,000 |
| Investment Income | 119,000 |
| TOTAL REVENUE | 2,396,000 |

LOSSES AND LOSS EXPENSES

| | |
|----------------------------------|-----------|
| Paid losses | 332,000 |
| Open loss reserves | 656,000 |
| IBNR | 702,000 |
| Claims management expenses | 195,000 |
| Excess Insurance | 499,755 |
| TOTAL LOSS EXPENSES | 2,384,755 |

ADMINISTRATION EXPENSES

| | |
|--------------------------------|---------|
| Brokerage commissions | 125,000 |
| Cancellation expense | 0 |
| Pool administration | 260,000 |
| Amortized start-up costs | 7,000 |
| Professional fees | 40,000 |
| Interest expense | 55,000 |
| Other expenses | 16,000 |
| TOTAL ADMINISTRATION | 503,000 |

| | |
|---------------------------------|-----------|
| TOTAL LOSSES AND EXPENSES | 2,887,755 |
|---------------------------------|-----------|

| | |
|------------------|-----------|
| NET INCOME | - 491,755 |
|------------------|-----------|

| | |
|-----------------------------|---------|
| SURPLUS CONTRIBUTIONS | 476,000 |
|-----------------------------|---------|

| | |
|--------------------------------|----------|
| TOTAL INCOME AND SURPLUS | - 15,755 |
|--------------------------------|----------|

1997 BUDGET (GALLAGHERS)
Attachment Point: \$1,475,000

REVENUE

| | |
|-------------------------|-----------|
| Premiums written | 2,277,000 |
| Unearned premiums | 0 |
| Premiums earned | 2,277,000 |
| Investment Income | 119,000 |
| TOTAL REVENUE | 2,396,000 |

LOSSES AND LOSS EXPENSES

| | |
|----------------------------------|-----------|
| Paid losses | 332,000 |
| Open loss reserves | 656,000 |
| IBNR | 487,000 |
| Claims management expenses | 238,960 |
| Excess Insurance | 458,635 |
| TOTAL LOSS EXPENSES | 2,172,595 |

ADMINISTRATION EXPENSES

| | |
|--------------------------------|---------|
| Brokerage commissions | 115,000 |
| Cancellation expense | 0 |
| Pool administration | 260,000 |
| Amortized start-up costs | 7,000 |
| Professional fees | 40,000 |
| Interest expense | 55,000 |
| Other expenses | 16,000 |
| TOTAL ADMINISTRATION | 493,000 |

| | |
|---------------------------------|-----------|
| TOTAL LOSSES AND EXPENSES | 2,665,595 |
|---------------------------------|-----------|

| | |
|------------------|-----------|
| NET INCOME | - 269,595 |
|------------------|-----------|

| | |
|-----------------------------|---------|
| SURPLUS CONTRIBUTIONS | 476,000 |
|-----------------------------|---------|

| | |
|--------------------------------|---------|
| TOTAL INCOME AND SURPLUS | 206,405 |
|--------------------------------|---------|

PROPOSALS SUMMARY

| | <u>AON</u> | <u>GALLAGHERS</u> |
|---------------------------|--|--|
| <i>Form</i> | new policy form, tailored to governmental entities | ISO with endorsements, or will use UACIM form |
| <i>Coverage</i> | | |
| Property | \$100,000,000 | \$100,000,000 |
| Flood/Earthquake | \$10,000,000 | \$5,000,000 (\$500 deductible) |
| SIR | \$200,000 | \$150,000 |
| Liability | \$1,000,000/\$3,000,000 per county | \$1,000,000/\$3,000,000 per county |
| Crime | \$200,000 | \$150,000 |
| C. B. Bond | \$500,000 | \$150,000 |
| SIR | \$200,000 | \$250,000 |
| Stop Loss | unlimited | unlimited |
| Attachment Point | \$1,825,000 w/2yr.guarantee \$1,690,000 buy down available | \$1,475,000 |
| Excess Liability | \$1,000,000 - \$67,392 \$2,000,000 - \$108,450 \$3,000,000 - \$137,894 \$4,000,000 - \$160,742 \$5,000,000 - \$180,067 | \$1,000,000 - \$48,000 \$2,000,000 - \$67,000 \$3,000,000 - \$76,000 \$4,000,000 - \$80,000 \$5,000,000 - \$82,000 |
| <i>Reinsurance Option</i> | no | yes |
| <i>Costs</i> | | |
| Excess | \$439,750-\$499,755 | \$458,635 |
| Broker Fee | \$125,000 | \$85,000-\$115,000 |
| Claims | \$195,000 dedicated unit | \$238,960 dedicated unit \$217,300 semi-dedicated unit \$133,107 Gallagher-Bassett Services \$5,000 audit & reporting |
| <i>Enhancements</i> | herbicide/pesticide sexual abuse (not excluded) | herbicide/pesticide sexual abuse (silent) inverse condemnation (not excluded) |
| <i>Service</i> | local office | ? |



UTAH ASSOCIATION
OF COUNTIES
INSURANCE MUTUAL

UAC INSURANCE MUTUAL MINUTES, BOARD OF DIRECTORS MEETING

June 28, 1996, 8:00 a.m.
Sevier County Commission Chambers
250 North Main, Richfield, UT

Board Members Present:

Gary Herbert, *President*, Utah County Commissioner
Gerald Hess, *Vice President*, Davis County Deputy Attorney
Sid Groll, *Comptroller*, Cache County Sheriff
Ken Brown, Rich County Commissioner
Curtis Dastrup, Duchesne County Commissioner
Ty Lewis, San Juan County Commissioner
Sarah Ann Skanchy, Cache County Council Member
Gary Sullivan, Beaver County Commissioner

Board Members Absent:

Robert Gardner, *Secretary*, Iron County Commissioner

Others Present:

Kent Sundberg, Utah County Deputy Attorney
Brent Gardner, UACIM Administrator
Brett Rich, Director, UACIM
Sonya White, UACIM Administrative Assistant

CALL TO ORDER

Gary Herbert called the meeting to order and welcomed those in attendance.

BROKER PROPOSALS

As requested by the Board of Directors on June 14, 1996, Brett Rich prepared budget comparisons using the Aon Risk Resources proposal(s) and the Arthur J. Gallagher proposal. These comparisons were faxed to the Board Members prior to this meeting. As the Board reviewed the comparisons, Brett explained that he replaced the pertinent figures on the 1996 UACIM budget for comparison purposes only. No figures were changed in the revenues, the proposed attachment points were reflected under IBNR losses (paid losses, open loss reserves and IBNR losses equal the attachment point), the claims management expense, excess insurance and brokerage commission figures were all replaced with those amounts proposed. AON initially proposed an attachment point of \$1,825,000, claims management of \$195,000, excess insurance of \$439,750 and brokerage commission of \$125,000 which calculates to (\$90,750) total net income and surplus. AON also proposed an attachment point buy-down option of \$1,690,000, claims management of \$195,000, excess insurance of \$499,755 and brokerage commission of \$125,000 which calculates to (\$15,755) total net income and surplus. Gallagher proposed an attachment point of \$1,475,000, claims management of \$238,960, excess insurance of \$458,635 and brokerage commission of \$115,000 which calculates to \$206,405 total net income and surplus. Gallagher proposed several different options for claims management and brokerage of which Brett used the exalted numbers for this comparison. Both companies, AON and Gallagher, have a 2 1/2 year attachment point guarantee.

Brett stated that it is critical, in his opinion, to have the net income and surplus of the UACIM in the black. A negative net income and surplus will not be acceptable to our members and the Insurance Department, especially when UACIM has requested an exemption from the surplus requirements. Statutorily, UACIM is required, for the lines of coverage written, to have \$1.7 million of permanent surplus and, as of the last legislative session, an undetermined amount of risk based capital. The Commissioner can grant an exemption to that requirement. Therefore, on behalf of UACIM, Brett has requested an exemption based on maintaining a fully funded program.

Regarding the \$1,475,000 attachment point, Brett explained that UACIM has gone over that amount in 1993 and 1994, and three actuarial firms (AON, Coopers & Lybrand, and Coregis) estimate UACIM's ultimate net loss for this year to be approximately \$1.9 million. UACIM has a SIR (self insured retention) of \$150,000 for property and \$250,000 for liability. A portion of the annual premium contributions (the loss fund) is used to pay claims or SIR's. UACIM also has a stop-loss policy that will pay an additional million dollars of loss once the \$2.350 million attachment point is reached. This attachment point leaves a huge gap between the UACIM loss fund. AON and Gallagher have both proposed an excess aggregate carrier that will pay an unlimited amount of loss but the main issue being when the aggregate kicks-in. The lower the attachment point the better. If UACIM's losses are higher than the attachment point, it doesn't matter what company is retained as the excess, the attachment point is going to increase. With the 2 ½ year attachment point guarantee, UACIM can possibly begin to increase their net income and surplus. Coregis (AON) has guaranteed a \$1,690,000 attachment point for 2 ½ years and Great American (Gallagher) has guaranteed a \$1,475,000 attachment point for a 70% or less loss ratio, \$1,650,000 attachment point for a 71-115% loss ratio and \$1,750,000 for a loss ratio over 115%.

Sarah Ann Skanchy expressed her concerns with premium increases. She is also concerned about the uncertainty of service with Gallagher. Sarah Ann feels the service and information being provided through AON is much better than proposed by Gallagher.

Ty Lewis reminded the Board Members that as a Board Member it is your duty to retain the best insurance for the UACIM members. The Board needs to determine the future of UACIM. We determine what excess carrier we want to cover "our" company but the biggest concern is UACIM's losses. Ty feels that an insurance broker is not going to put the emphasis on losses like the Board and the Members should. UACIM should have reliable, well trained people employed to do the job that needs to be done to control losses. Management of "things" could be taken in-house. Decide on a broker then, as the insurance company, deal with these main issues. Gallagher is offering an option for limited outside claims service which would allow UACIM to accept some of the responsibility. UACIM has an excellent Director and with the right people to assist him, this insurance company will work.

Gary Herbert stated that the biggest concern of the Board should be to provide the best insurance program to the members which "best" doesn't necessarily mean the cheapest. His main concerns are the long term effects on UACIM, if any, and services provided by the broker.

Kent Sundberg was concerned with the high excess premium UACIM has paid for the last two years to a company, AIG, that has been difficult to work with and who has set an attachment point that UACIM will never reach. Kent would expect a brokerage firm to find the best program available.

Gary Sullivan stated, in his opinion, if UACIM doesn't get a handle on losses a low attachment point will not matter whether UACIM is solvent or not.

Brett Rich explained that he feels UACIM can get an exemption from the Insurance Department with either program. With AON's buy-down option, UACIM can most likely make up the \$15,000 deficit with the interest revenue earned in 1996. In a meeting at the Insurance Department on June 26, Brett described the attachment point concerns—actuarial projections compared to a low attachment point proposal—with Department representatives and asked if this would be a concern to them. They (C.K. Anderson, Doug Green and two others) said that this is not a concern to the Department if UACIM has a guarantee and the carrier is reputable.

Sid Groll voiced his concerns that if UACIM saves approximately \$300,000 and goes through the gymnastics of changing brokers, who is to say that UACIM won't be back in the position it is in now as well as trying to make up for the change challenge. He is also concerned with claims management in this transition.

Gerald Hess expressed his concerns regarding UACIM's continuing problems with AIG and the position UACIM is in now because of these problems. Also, concerns have been raised by the County's Risk Management Committee regarding the current claims administration and loss prevention department. If UACIM has an opportunity to contract an attachment point of \$1.475 million with a strong and capable company and UACIM reaches that attachment point, Gerald feels that it wouldn't matter which brokerage firm is retained—UACIM will appear to be a "bad risk". In his opinion, the key to the success of UACIM is to gain control of losses. Gerald was uncertain with the aspect of service if a transition were to take place and felt strongly of UACIM becoming more independent rather than relying on some other agency for claims, loss control, etc.

The Board questioned whether or not a decision had to be made today, or if a new program could be in place by January 1. Brett Rich explained that when the Coregis program was first presented to the Board at their March 21 meeting, Jess Hurtado felt the program should be implemented by July 1 in order to end the relationship with AIG and to present the program to the Insurance Department. This is the direction the Board was leaning but felt that the RFP process needed to be completed before actually approving the Coregis program. This potential program was presented to the Insurance Department on March 29 and a scheduled July 1 implementation date was noted. When Brett met with the Insurance

Department on June 26, he asked if a January 1 implementation date for a new program would cause the Department any concern? Their reply was that, as a staff, they would recommend to the Commissioner that it is more prudent for UACIM to decide on a brokerage firm based on their merits rather than making a hasty decision to implement on July 1. If that is the case, Brett will need to prepare an addendum to the request for exemption. UACIM has a contract with AON renewable calendar year to calendar year and can implement the Coregis program once the Board makes a decision. Gallaghers can also have their excess program in place any time the Board requests. Jess has a hold on the new "TopCat" claims information system, which will be replacing the LINX system, until a decision is made by the Board. The Board discussed the option of buying an in-house claims information system. Brett recommended that the Board may want to make a decision today, or in the near future, due to the amount of time this is occupying for the brokerage firms, the insurance department and himself. A meeting has been scheduled with Davis County on July 22 to make a program presentation and Brett needs to know the Board's intentions.

Ken Brown discussed the RFP process being healthy for UACIM and the purpose in implementing and organizing the UACIM was to provide better service and information for less or equal money. He is also very concerned with the high number of claims and working to control them. He feels the attachment point proposed by Gallaghers is a gamble and that service and transition will be a problem if Gallaghers is retained. Ken feels that AON should be retained and the UACIM Board should begin a refining process to bring more services in-house.

The Board extensively discussed the short and long term effects of each proposal and each company. The only disadvantage that the Board could see was that if UACIM reaches the attachment point, there are only so many companies that are willing to write stop-loss aggregate insurance. The Board members agreed that change is always difficult but with the confidence, knowledge and experience the Board has gained in the last four years, they feel UACIM is up to the challenge.

It was brought to the Boards attention that Gallagher may not be licensed in Utah. Brett explained that he received a telephone call to this effect and immediately called Gallaghers who confirmed that their Utah license expired in April 1996 because they no longer had any business in Utah. Once they received our request for proposal they filed for reinstatement and are now waiting to hear from the Insurance Department. Brett also called the Insurance Department who was unable to give him a status of the reinstatement but stated that if Gallaghers has filed for reinstatement it isn't UACIM's problem. If Gallaghers is not licensed in Utah, UACIM is prohibited from contracting with them.

After extensive discussion, Ken Brown made a motion to retain AON as the UACIM broker. Sarah Ann Skanchy seconded the motion and the motion failed 2-4-1. Voting was as follows: Ken Brown and Sarah Ann Skanchy in favor, Curtis Dastrup, Gerald Hess, Ty Lewis and Gary Sullivan oppose and Sid Groll abstained. Gary Herbert did not vote due to a concern that the Chairman only votes in the event of a tie.

Sid Groll made a motion to postpone a decision until licensing questions are confirmed by the Insurance Department. Immediately following confirmation a special meeting will be scheduled to make the final decision. Gary Sullivan seconded the motion. Ty made a substitute motion to retain Gallaghers as the brokerage firm for UACIM subject to the reinstatement of their Utah license and that program options will be negotiated. Also, any public announcement will be that a decision is pending. Curtis Dastrup seconded the motion and the motion passed 4-3. Voting was as follows: Curtis Dastrup, Gerald Hess, Ty Lewis and Gary Sullivan in favor, Ken Brown, Sid Groll and Sarah Ann Skanchy oppose. Gary Herbert did not vote due to a concern that the Chairman only votes in the event of a tie.

SET DATE AND TIME FOR CLOSED MEETING TO DISCUSS THE CHARACTER, PROFESSIONAL COMPETENCE, OR PHYSICAL OR MENTAL HEALTH OF AN INDIVIDUAL

This agenda item will be listed each month in the event the Board needs to go into a closed session. The Board did not elect to go into a closed session during this meeting.

SET DATE AND TIME FOR CLOSED MEETING TO DISCUSS PENDING OR REASONABLY IMMINENT LITIGATION

This agenda item will be listed each month in the event the Board needs to go into a closed session. The Board did not elect to go into a closed session during this meeting.

OTHER BUSINESS

The next meeting of the Board of Directors will be held August 1, 1996, at 10:00 in the UAC offices.

